



TROILUS

TROILUS GOLD CORP.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

For the three and six months ended
January 31, 2019 and 2018

(expressed in Canadian dollars)

TROILUS GOLD CORP.**Condensed Interim Consolidated Statements of Financial Position****(Expressed in Canadian dollars)**

As at	Notes	January 31, 2019	July 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 10,883,845	\$ 20,236,630
Tax credit receivable		114,214	1,044,979
Amounts receivable	6	583,937	951,203
Prepaid expenses		259,972	464,219
Total current assets		11,841,968	22,697,031
Reclamation deposit	7	4,022,976	3,972,976
Property and equipment	8	2,024,560	1,028,325
TOTAL ASSETS		\$ 17,889,504	\$ 27,698,332
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	18	\$ 953,471	\$ 2,585,302
Current portion of equipment financing arrangements	9	509,146	211,431
Current portion of reclamation provision	7	206,849	259,000
Flow-through share premium liability	10	2,445,650	-
Total current liabilities		4,115,116	3,055,733
Long-term portion of equipment financing arrangements	9	228,905	171,575
Flow-through share premium liability	10	-	4,117,630
Reclamation provision	7	3,324,754	3,182,361
Total liabilities		7,668,775	10,527,299
SHAREHOLDERS' EQUITY			
Share capital	11	40,594,609	38,325,859
Share purchase warrant reserve	12	6,764,206	6,764,206
Share-based payment reserve	13	3,925,632	3,331,632
Accumulated deficit		(41,063,718)	(31,250,664)
Total shareholders' equity		10,220,729	17,171,033
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 17,889,504	\$ 27,698,332
Nature of operations	1		
Commitments and contingencies	19		
Subsequent event	20		
Approved on behalf of the Directors:			
<u>"Tom Olesinski"</u>		<u>"Justin Reid"</u>	
Director		Director	

TROILUS GOLD CORP.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

	Notes	Three months ended		Six months ended	
		January 31,		January 31,	
		2019	2018	2019	2018
Expenses					
Exploration and evaluation expenses	15	\$ 5,128,511	\$ 11,132,544	\$ 7,992,433	\$ 11,219,724
Reclamation estimate	7	147,060	-	175,380	-
General and administrative expenses	16	1,649,778	2,078,450	2,718,741	2,101,560
Share-based payments	13	-	4,791,023	594,000	4,791,023
Total expenses before other items		6,925,349	18,002,017	11,480,554	18,112,307
Other (income)/expenses					
Interest income		(60,685)	(14,356)	(137,927)	(14,356)
Flow-through share premium	10	(794,042)	-	(1,671,980)	-
Depreciation	8	55,871	-	100,890	-
Accretion of reclamation provision	7	2,803	-	6,576	-
Other gains and losses		11,504	(8,456)	34,941	(8,456)
Transaction expenses	5	-	3,259,632	-	3,259,632
Net loss and comprehensive loss for the period		\$ 6,140,800	\$ 21,238,837	\$ 9,813,054	\$ 21,349,127
Net loss per share					
Basic and diluted		\$ 0.12	\$ 0.67	\$ 0.20	\$ 0.92
Weighted average common shares outstanding					
Basic and diluted		51,060,592	31,706,770	49,905,255	23,307,738

-- See accompanying notes to the Condensed Interim Consolidated Financial Statements --

TROILUS GOLD CORP.**Condensed Interim Consolidated Statements of Cash Flows****(Expressed in Canadian dollars)**

		Six months ended January 31,	
	Notes	2019	2018
CASH FLOWS FROM:			
Operating activities			
Net loss for the period		\$ (9,813,054)	\$ (21,349,127)
Items not involving cash			
Share-based payments	13	594,000	4,791,023
Shares issued for property acquisition		2,268,750	
Depreciation	8	100,890	-
Flow-through share premium	10	(1,671,980)	-
Reclamation estimate adjustment	7	175,380	-
Reclamation costs incurred	7	(91,714)	-
Accretion of reclamation estimate	7	6,576	-
Non-cash property acquisition costs		-	10,976,758
Transaction expenses		-	3,259,632
		<u>(8,431,152)</u>	<u>(2,321,714)</u>
Net change in non-cash working capital items:			
Amounts receivable, tax credit receivable and prepaid expenses		571,513	(164,476)
Accounts payable and accrued liabilities		<u>(1,631,831)</u>	<u>(1,118,155)</u>
		<u>(129,553)</u>	<u>(1,282,631)</u>
Cash flows used in operating activities		<u>(8,560,705)</u>	<u>(3,604,345)</u>
Financing activities			
Private placement proceeds		-	23,009,200
Share issue costs		-	(1,583,415)
Equipment financing payments	9	<u>(244,965)</u>	-
Cash flows (used in)/from financing activities		<u>(244,965)</u>	<u>21,425,785</u>
Investing activities			
Cash acquired from reverse acquisition		-	138,308
Property and equipment	8	(497,115)	-
Payment of reclamation deposit	7	<u>(50,000)</u>	-
Cash flows (used in)/from investing activities		<u>(547,115)</u>	<u>138,308</u>
Net change in cash and cash equivalents		(9,352,785)	17,959,748
Cash and cash equivalents, beginning of the period		<u>20,236,630</u>	-
Cash and cash equivalents, end of the period		<u>\$ 10,883,845</u>	<u>\$ 17,959,748</u>
CASH AND CASH EQUIVALENTS CONSIST OF:			
Cash		\$ 658,641	\$ 3,960,610
Cash equivalents		<u>10,225,204</u>	<u>13,999,138</u>
		<u>\$ 10,883,845</u>	<u>\$ 17,959,748</u>

TROILUS GOLD CORP.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Note	Number of Shares	Share Capital	Share purchase warrant reserve	Share- based payment reserve	Accumulated Deficit	Total Shareholders' equity
Balance as at July 31, 2018		48,737,222	\$ 38,325,859	\$ 6,764,206	\$ 3,331,632	\$ (31,250,664)	\$ 17,171,033
Shares issued for property acquisition		3,750,000	2,268,750	-	-	-	2,268,750
Share-based compensation	13	-	-	-	594,000	-	594,000
Net loss for the period		-	-	-	-	(9,813,054)	(9,813,054)
Balance as at January 31, 2019		52,487,222	\$ 40,594,609	\$ 6,764,206	\$ 3,925,632	\$ (41,063,718)	\$ 10,220,729
Balance as at July 31, 2017		15,000,000	\$ 1	\$ -	\$ -	\$ (819,594)	\$ (819,593)
Private placement		14,030,000	23,009,200	-	-	-	23,009,200
Cost of issue		-	(1,583,415)	-	-	-	(1,583,415)
Value of warrants on private placement units		-	(7,607,405)	7,607,405	-	-	-
Shares issued on acquisition		10,000,000	10,977,758	-	-	-	10,977,758
Shares acquired on acquisition		2,480,620	2,723,165	-	-	-	2,723,165
Share-based compensation		-	-	-	4,791,023	-	4,791,023
Stock options acquired on acquisition		-	-	-	173,904	-	173,904
Net loss for the period		-	-	-	-	(21,349,127)	(21,349,127)
Balance as at January 31, 2018		41,510,620	\$ 27,519,304	\$ 7,607,405	\$ 4,964,927	\$ (22,168,721)	\$ 17,922,915

-- See accompanying notes to the Condensed Interim Consolidated Financial Statements --

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2019 and 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Troilus Gold Corp. (the “Company”) was continued under the laws of Ontario, Canada. In December 2017, the Company closed a transaction whereby it acquired the option to acquire a 100% interest in a past-producing gold mine located approximately 450 km northeast of Val-d’Or, Quebec (the “Troilus project”) through a reverse acquisition. The Company changed its name from Pitchblack Resources Ltd. (“Pitchblack”) to Troilus Gold Corp. upon closing. In April 2018, the Company exercised the option to acquire the Troilus project. In December 2018, the Company acquired additional mineral claims, adjacent to the Troilus project (See Note 15). Collectively, the two properties are referred to as the “Troilus Gold property”. The principal business of the Company is the exploration and future development of the Troilus Gold property. The Company’s registered office is located at 65 Queen St. West, Suite 800, Toronto, Ontario, M5H 2M5. The Company’s shares traded on the TSX Venture Exchange (“TSX-V”) under the symbol “TLG” until its graduation to the Toronto Stock Exchange (“TSX”) on October 17, 2018. All dollar amounts are Canadian dollars unless otherwise noted.

The option to acquire the Troilus project was held by 2507868 Ontario Inc. (“250”) and 2513924 Ontario Inc. (“251”). 250, 251 and a newly incorporated subsidiary of the Company amalgamated on December 20, 2017, and the Company acquired 100% of the shares of the amalgamated entity, subsequently named TLG Project Inc. Management determined that this transaction constituted a reverse acquisition in accordance with the policies of the TSX-V whereby 250 acquired 251 and Pitchblack for accounting purposes. These consolidated financial statements include the results of operations of the Company and 251 from the date of the transaction, December 20, 2017 and the results of 250 since inception. The comparative figures are those of 250 prior to the reverse acquisition, except for adjusting retroactively the capital of 250 to reflect the capital of the Company, being the issuance of 15,000,000 common shares of the Company to the shareholder of 250 on completion of the reverse acquisition. The Company has adopted the fiscal year end of 250, which is July 31.

In May 2016, 250 entered into an option agreement with First Quantum Minerals Ltd. (“First Quantum”) to acquire the Troilus project. Under the terms of the option agreement, a minimum of \$1,000,000 must be spent on engineering and technical studies, and \$300,000 in cash payments. Option payments of \$100,000 were paid in each of May 2016, May 2017 and January 2018, and the Company met its expenditure commitment. The Company exercised the option in April 2018. A variable Net Smelter Royalty of 1.5% (if the gold price is less than US\$1,250/ounce during the reference period) or 2.5% (if the gold price is more than US\$1,250/ounce during the reference period) has been granted to First Quantum. An additional 1% royalty on the Troilus project is held by another unrelated entity.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory, environmental and social requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2019 and 2018

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS (continued)

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These condensed interim consolidated financial statements of the Company for the three and six months ended January 31, 2019 were approved and authorized for issue by the Board of Directors on March 11, 2019.

2. BASIS OF PRESENTATION AND COMPLIANCE

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The policies set out in the Company's annual consolidated financial statements for the year ended July 31, 2018 were consistently applied to all periods presented unless otherwise noted below.

The preparation of condensed interim financial statements in accordance with IAS 34, Interim Financial Reporting, requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. Certain disclosures included in annual financial statements have been condensed or omitted.

These condensed interim consolidated financial statements have been prepared on a going concern basis, under the historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. NEW AND FUTURE ACCOUNTING POLICIES

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded.

IFRS 2 – Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018. The Company has adopted this standard effective August 1, 2018 and there was no material impact from the adoption of this standard.

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2019 and 2018

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3. NEW AND FUTURE ACCOUNTING POLICIES (continued)

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has adopted this standard effective August 1, 2018 and there was no material impact from the adoption of this standard.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company’s financial instruments:

	Financial instrument classification	
	Under IAS 39	Under IFRS 9
Financial assets		
Cash	Loans and receivables	Amortized cost
Cash equivalents	Fair Value through Profit and Loss	Fair Value through Profit and Loss
Amounts receivable	Loans and receivables	Amortized cost
Reclamation deposit	Loans and receivables	Amortized cost
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Equipment financing arrangement	Other financial liabilities	Amortized cost

IFRS 16 – Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company is currently evaluating and quantifying the impact of the adoption of IFRS 16.

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2019 and 2018

(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. These condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, on a prospective basis. The revision may affect current or both current and future periods.

Information about critical judgments and estimates in applying accounting policies, and areas where assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following areas:

Mineral resource estimates

The figures for mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operation.

Estimation of decommissioning and reclamation costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities. Cost estimates are updated annually to reflect known developments and are subject to review at regular intervals.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Valuation of the refundable duties credit for losses and the refundable tax credit for resources

The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessments and payments has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources, the exploration and evaluation expenses, and the income tax expense in future periods.

The amounts recognized in the financial statements are derived from the Company's best estimation and judgement as described above. However, the inherent uncertainty regarding the outcome of these items means that eventual resolution could differ from the accounting estimates and therefore impact the Company's financial position and its financial performance and cash flows.

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies

Refer to Note 19.

5. REVERSE ACQUISITION

On December 20, 2017, the Company completed a transaction which constituted a reverse acquisition.

The Company, formerly called Pitchblack, acquired an entity resulting from the amalgamation of 250, 251 and a newly created subsidiary of Pitchblack, called TLG Project Inc. 250 held the option to acquire a 100% interest in the Troilus project, and had previously granted 251 an irrevocable and exclusive option to acquire a 40% undivided interest in the Troilus project. Upon closing of the reverse acquisition, the Company issued 10,000,000 shares to the shareholders of 251 and 15,000,000 to the shareholders of 250 as consideration for their respective interest in the Troilus project. Upon amalgamation of these companies, the Company acquired a 100% interest in the option to acquire the Troilus project, subject to certain royalties.

250 had completed a private placement financing in November 2017 issuing 14,030,000 subscription receipts, with each subscription receipt entitling the holder to receive one common share of 250 and one common share purchase warrant. The subscription was priced at \$1.64 per subscription receipt, this price reflecting the four to one share consolidation of Pitchblack that was completed upon closing of the transaction. Also, at the closing of the transaction, the name change from Pitchblack Resources Ltd. to Troilus Gold Corp. took effect. For accounting purposes, 250 was treated as the accounting parent company (legal subsidiary), and the Company was treated as the accounting subsidiary (legal parent). 251 was also treated as a subsidiary. As 250 was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these condensed interim consolidated financial statements at their historical carrying value. The Company's results of operations and those of 251 have been included from the transaction date, December 20, 2017. As Pitchblack and 251 did not qualify as a business according to the definition in IFRS 3 Business Combinations, this reverse acquisition does not constitute a business combination. It was accounted for in accordance with IFRS 2 Share-based Payments, such that 250 is deemed to have issued shares in exchange for the net assets of Pitchblack and 251 together with Pitchblack's TSX-V listing status.

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

5. REVERSE ACQUISITION (continued)

As part of the reverse acquisition, Pitchblack acquired amounts due to the former shareholders of 250.

The quantity of 250 shares outstanding has been retroactively updated to reflect the number of shares issued to the shareholder of 250 on closing of the reverse acquisition.

The transaction was measured at the fair value of the shares that 250 would have had to issue to the shareholders of Pitchblack to give the shareholders of Pitchblack the same percentage equity interest in the combined entity had the transaction taken the legal form of 250 acquiring Pitchblack. The fair value of the common shares was based on the value of the shares issued in 250's private placement of subscription units, including one share and one share purchase warrant per unit. The value of the warrants was estimated using the Black-Scholes model and backed out to determine the value of the shares alone.

6. AMOUNTS RECEIVABLE

	January 31, 2019	July 31, 2018
Input tax credits receivable	\$ 565,957	\$ 944,905
Other miscellaneous receivables	17,980	6,298
	<u>\$ 583,937</u>	<u>\$ 951,203</u>

7. RECLAMATION DEPOSIT AND PROVISION

Deposit:

In April 2018, upon the exercise of the option to acquire the Troilus project from First Quantum, the Company was required to post a reclamation deposit of \$3,972,976 with the government of Quebec. This deposit serves as security against current and future estimated reclamation obligations at the Troilus site from historical mining activity. During the three and six months ended January 31, 2019, the Company paid an additional \$50,000 deposit as security against current and future estimated reclamation obligations in the landfill site on the Troilus property. See Note 20.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

7. RECLAMATION DEPOSIT AND PROVISION (continued)

Provision:

After exercising the option to acquire the Troilus project, the Company recognized a provision for future estimated reclamation and water treatment costs of the former Troilus mine. As at January 31, 2019, the estimated future liability was adjusted to approximately \$3,750,000 (July 31, 2018: \$4,200,000), was discounted at a rate of 2.14% (July 31, 2018: 2.31%) and recorded as \$3,531,603, \$206,849 as a current liability and \$3,324,754 as a long-term liability (July 31, 2018: \$3,441,361, \$259,000 as a current liability and \$3,182,361 as a long-term liability). This estimate assumes that future mining operations would never resume and as management continues its exploration program, works towards a future mining scenario, and carries out reclamation work, the reclamation provision will be adjusted accordingly. As a result of this remeasurement, \$147,060 and \$175,380 was recorded as a reclamation estimate for the three and six months ended January 31, 2019 to the statements of operations.

Balance as at July 31, 2018	\$ 3,441,361
Accretion of discount	6,576
Adjustments resulting from remeasurement	175,380
Incurred costs applied against liability	(91,714)
Balance as at January 31, 2019	\$ 3,531,603
Current portion of liability	206,849
Long-term portion of liability	3,324,754
	3,531,603

TROILUS GOLD CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2019 and 2018

(Expressed in Canadian dollars)

8. PROPERTY AND EQUIPMENT

	<u>Computer and office equipment</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Drilling camp</u>	<u>TOTAL</u>
<i>Cost</i>					
Balance, July 31, 2018	\$ 15,242	\$ -	\$ 87,350	\$ 959,423	\$ 1,062,015
Additions	40,100	75,750	129,622	851,653	1,097,125
Balance, January 31, 2019	\$ 55,342	\$ 75,750	\$ 216,972	\$ 1,811,076	\$ 2,159,140
<i>Depreciation</i>					
Balance, July 31, 2018	\$ (2,395)	\$ -	\$ (1,619)	\$ (29,676)	\$ (33,690)
Expense for the period	(5,786)	(3,362)	(8,306)	(83,436)	(100,890)
Balance, January 31, 2019	\$ (8,181)	\$ (3,362)	\$ (9,925)	\$ (113,112)	\$ (134,580)
Net book value, July 31, 2018	\$ 12,847	\$ -	\$ 85,731	\$ 929,747	\$ 1,028,325
Net book value, January 31, 2019	\$ 47,161	\$ 72,388	\$ 207,047	\$ 1,697,964	\$ 2,024,560

During the six months ended January 31, 2019, the Company entered into financing arrangements to acquire a vehicle and an electrical substation (Note 9). An amount of \$55,871 and \$100,890 was expensed in depreciation within profit and loss for the three and six months ended January 31, 2019 respectively (three and six months ended October 31, 2017 respectively: \$nil and \$nil).

9. EQUIPMENT FINANCING ARRANGEMENTS

Balance as at July 31, 2018	\$ 383,006
Assets acquired from equipment financing arrangements	600,010
Payments made during the period	(244,965)
Balance as at January 31, 2019	\$ 738,051
Current portion of liability	509,146
Long-term portion of liability	228,905
	738,051

During the six months ended January 31, 2019, the Company entered into a financing arrangement to acquire a vehicle with a carrying value of \$75,750. The Company is required to make monthly payments of \$2,813 over a period of 24 months, with an option to buy the vehicle for \$15,150 at the end of the term. The implied interest rate in the agreement was 14.4%.

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9. EQUIPMENT FINANCING ARRANGEMENTS (continued)

During the six months ended January 31, 2019, the Company entered into a financing arrangement to acquire an electrical substation recorded at a carrying value of \$524,260. The Company is required to make monthly payments of \$23,000 over a period of 24 months. The terms of the arrangement did not stipulate an interest rate, and as a result, the Company estimated a borrowing rate of 10%, with a deemed value for the financed camp facility of \$524,260.

During the year ended July 31, 2018, the Company entered into a financing arrangement to acquire a camp facility in March 2018 with total payments of \$495,020. Pursuant to this arrangement, the Company is required to make monthly payments of \$18,815 over a period of 24 months, with the option to buy the camp facility at the end of the term. The terms of the arrangement did not stipulate an interest rate, and as a result, the Company estimated a borrowing rate of 10%, with a deemed value for the financed camp facility of \$468,036.

10. FLOW-THROUGH SHARE PREMIUM LIABILITY

With respect to the Company's flow-through offering during the year ended July 31, 2018, the Company recorded a flow-through liability based on a calculated premium at an average of \$0.31 per dollar raised, calculated based on the excess issue price over the quoted market price at the date of issuance. As the Company incurs eligible expenditures against this liability, the Company reduces the liability at the same premium rate and records this as a flow-through premium recovery on the statement of operations. As at January 31, 2019, the liability was reduced to \$2,445,650, and a flow-through share premium of \$794,042 and \$1,671,980 was recorded on the statements of operations for the three and six months ended January 31, 2019 respectively.

11. SHARE CAPITAL

	No. of Shares	Balance
Balance as at July 31, 2018	48,737,222	\$ 38,325,859
Shares issued for property acquisition (i)	3,750,000	2,268,750
Balance as at January 31, 2019	52,487,222	\$ 40,594,609

- (i) In December 2018, the Company closed a purchase and sale agreement with Emgold Mining Corporation ("Emgold"), pursuant to which the Company acquired the Troilus North Project. As consideration for this acquisition, the Company issued 3,750,000 of its common shares to Emgold and forgave a \$250,000 loan previously advanced to Emgold. The shares were valued at \$0.605 per share based on the quoted market price of the shares on the date of issuance.

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12. SHARE PURCHASE WARRANT RESERVE

The following table summarizes the warrants outstanding as at January 31, 2019:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Value (\$)	Weighted Average Remaining Contractual Life (years)
\$2.50	November 21, 2020	14,030,000	14,030,000	6,764,206	1.81
		14,030,000	14,030,000	6,764,206	1.81

No warrants were granted, exercised or cancelled during the six months ended January 31, 2019.

13. SHARE-BASED PAYMENTS RESERVE

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants of the Company options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed five years.

	Number of options	Weighted average exercise price	Value
Balance as at July 31, 2018	4,211,250	\$1.59	\$ 3,331,632
Granted	660,000	\$1.20	594,000
Balance as at January 31, 2019	4,871,250	\$1.54	\$ 3,925,632

In September 2018, the Company granted 660,000 stock options to directors, officers, employees and consultants of the Company. The value of these options was estimated using the Black-Scholes option pricing model using the following assumptions: expected dividend yield of 0%; expected volatility of 100%; risk-free interest rate of 2.26% and expected average life of five years. As a result, the Company recorded a stock-based compensation expense of \$594,000 to the consolidated statement of operations for the six months ended January 31, 2019 (six months ended January 31, 2018: \$4,791,023 related to 3,905,000 options granted).

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13. SHARE-BASED PAYMENTS RESERVE (continued)

The following table summarizes the stock options outstanding as at January 31, 2019:

Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$ 0.40	November 7, 2021	112,500	112,500	2.77
\$ 1.20	April 20, 2022	93,750	93,750	3.22
\$ 1.64	January 3, 2023	3,900,000	3,900,000	3.93
\$ 2.20	January 22, 2023	5,000	5,000	3.98
\$ 1.25	June 22, 2023	100,000	100,000	4.39
\$ 1.20	September 14, 2023	660,000	660,000	4.62
	Total	4,871,250	4,871,250	3.99

14. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities as at January 31, 2019 were classified as follows:

	Assets at amortized cost	Assets at fair value through profit or loss	Liabilities at amortized cost	Total
As at January 31, 2019				
Cash and cash equivalents	\$ 658,641	\$ 10,225,204	\$ -	\$ 10,883,845
Amounts receivable	17,980	-	-	17,980
Reclamation deposit	4,022,976	-	-	4,022,976
Accounts payable and accrued liabilities	-	-	953,471	953,471
Equipment financing arrangements	-	-	738,051	738,051

The carrying value of cash, amounts receivable, reclamation deposit and accounts payable and accrued liabilities approximate fair value due to the short-term nature of the financial instruments. The carrying value of the equipment financing arrangement approximates fair value due to the short amount of time that has passed since its inception.

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Inputs for the asset or liability that are not based on observable market data.

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14. FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy as at January 31, 2019:

	Level 1	Level 2	Level 3	TOTAL
As at January 31, 2019				
Cash equivalents	10,225,204	-	-	10,225,204

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the six months ended January 31, 2019 and 2018.

Credit risk

The Company's credit risk is primarily attributable to cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Amounts receivable represent input tax credit refunds from government bodies. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

As at January 31, 2019, the Company had current assets of \$11,841,968 to settle current liabilities of \$4,115,116, of which \$2,445,650 is the non-cash flow-through share premium liability. Approximately \$747,000 of the Company's financial liabilities as at January 31, 2019 have contractual maturities of less than 30 days and are subject to normal trade terms.

Liability	Total	Payments due by period			
		< 1 year	1 - 3 years	4 - 5 years	> 5 years
Accounts payable and accrued liabilities	\$ 953,471	\$ 953,471	\$ -	\$ -	\$ -
Equipment financing arrangements	738,051	509,146	228,905	-	-
Reclamation provision	3,531,603	206,849	590,819	549,539	2,184,396

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14. FINANCIAL INSTRUMENTS (continued)

Market risk - Interest rate risk

The Company's cash equivalents are subject to interest rate cash flow risk as they carry variable rates of interest. The Company's interest rate risk management policy is to purchase highly liquid investments with a term to maturity of one year or less on the date of purchase. Based on cash and cash equivalent balances on hand at January 31, 2019, a 0.1% change in interest rates could result in a corresponding change in net loss of approximately \$11,000.

15. EXPLORATION AND EVALUATION EXPENSES

The Company owns the Troilus Gold Property, consisting of mineral claims and a past-producing mine located approximately 450 km northeast of Val d'or, Quebec, Canada. The Troilus Gold Project is subject to a variable Net Smelter Royalty of 1.5% (if the gold price is less than US\$1,250/ounce during the reference period) or 2.5% (if the gold price is more than US\$1,250/ounce during the reference period) has been granted to First Quantum. An additional 1% royalty on the Troilus project is held by another unrelated entity.

	Three months ended January 31,		Six months ended January 31,	
	2019	2018	2019	2018
Exploration and evaluation expenses:				
Drilling, assaying and geology	\$ 403,757	\$ -	\$ 1,658,743	\$ -
Salaries, payroll costs and consultants	1,274,441	82,870	2,449,080	154,872
Site and camp costs	262,242	6,707	413,496	6,707
Support and other costs	260,363	5,217	391,921	5,437
Studies	297,136	32,107	391,327	33,802
Government and community relations	26,139	13,538	52,312	27,038
Travel	85,683	15,347	116,804	15,110
Property acquisition costs (i)	2,518,750	-	2,518,750	-
Non-cash option acquisition cost (Note 5)	-	10,976,758	-	10,976,758
	\$ 5,128,511	\$ 11,132,544	\$ 7,992,433	\$ 11,219,724

- (i) During the six months ended January 31, 2019, the Company entered into an agreement to acquire certain mineral claims adjacent to the Troilus project from Emgold. Part of this agreement included advancing \$250,000 as a loan to Emgold, whereby at closing, the loan proceeds would be applied against the property acquisition and otherwise forgiven. The balance of consideration for this property was the issuance of 3,750,000 of common shares of the Company to Emgold, with a fair value of \$2,268,750 based on the quoted market value of the Company's common shares on the date of closing (Note 11).

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16. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended January 31,		Six months ended January 31,	
	2019	2018	2019	2018
General and administrative expenses :				
Salaries, payroll costs and consultants	\$ 1,119,980	\$ 1,468,400	\$ 1,640,237	\$ 1,468,400
Professional costs	89,087	75,827	142,495	75,827
Shareholder communications	304,210	474,292	688,785	497,402
Office and general	124,828	30,766	198,288	30,766
Travel	11,673	16,224	48,936	16,224
Mining claim costs, non-core properties	-	12,941	-	12,941
	<u>\$ 1,649,778</u>	<u>\$ 2,078,450</u>	<u>\$ 2,718,741</u>	<u>\$ 2,101,560</u>

17. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the exploration and development of its mineral properties. The capital of the Company consists of share capital, share purchase warrants and stock options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company's properties are in the exploration stage and, accordingly, the Company is dependent upon external financings to fund activities. In order to carry out planned drilling and engineering work, and pay for administrative costs, the Company will spend working capital and expects to raise the additional funds from time to time as required.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended January 31, 2019 and 2018.

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18. RELATED PARTY DISCLOSURES

The Company entered into the following transactions in the ordinary course of business with related parties that are not subsidiaries of the Company.

Related party balances

The Company shares office space, resources and certain services with other corporations that may have common directors and/or officers. The costs associated with these services, including the provision of office equipment and supplies, and certain other services, are administered by 2227929 Ontario Inc. to whom the Company pays a monthly flat fee. The contractual monthly fee is \$7,500 per month. 2227929 Ontario Inc. does not have any officers or directors in common with the Company; however, 2227929 Ontario Inc. was an insider of the Company by virtue of holding over 10% of the Company's issued and outstanding shares. 2227929's holdings dropped to below 10% during the quarter.

Sulliden Mining Capital Inc. ("Sulliden") was the former shareholder of 250 and funded 250's operations prior to the closing of the transaction to acquire the Troilus project. The Company's CEO, Mr. Justin Reid, the Company's President, Mr. Paul Pint and the Company's Executive Director, Mr. Peter Tagliamonte, are former officers of Sulliden, having resigned subsequent to the closing of the transaction. Mr. Pierre Pettigrew, a director of the Company, is also a director of Sulliden. Mr. Bruce Humphrey, appointed a director of the Company during the current quarter, was also a member of the Board of Directors of Sulliden, having resigned from Sulliden's board of directors before his appointment to the Company's board. As at January 31, 2019, Sulliden's held 14.4% of the Company's issued and outstanding shares.

Approximately \$5,500 is payable to directors and officers of the Company at January 31, 2019. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

Compensation of key management personnel of the Company

The remuneration of directors and other members of key management personnel were as follows:

	Three months ended January 31,		Six months ended January 31,	
	2019	2018	2019	2018
Management salaries and fees	\$ 1,043,300	\$ 542,090	\$ 1,452,600	\$ 542,090
Directors fees	105,000	81,250	126,875	81,250
Share-based payments	-	2,667,317	558,000	2,667,317
	<u>\$ 1,148,300</u>	<u>\$ 3,290,657</u>	<u>\$ 2,137,475</u>	<u>3,290,657</u>

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18. RELATED PARTY DISCLOSURES (continued)

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the Board of Directors of the Company having regard to the performance of individuals and market trends.

19. COMMITMENTS AND CONTINGENCIES

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately \$2,000,000 and additional contingent payments of approximately \$7,500,000 upon the occurrence of a change of control. As a triggering effect for a change of control has not taken place, the contingent payments have not been reflected in these condensed interim consolidated financial statements.

The Company is obligated to make equipment financing payments over the next 24 months. See Note 9.

The Troilus project is subject to a variable net smelter royalty of 1.5% or 2.5%, depending on whether the price of gold is above or below US\$1,250 per ounce, as well as an additional 1% royalty.

As a result of the Company's flow-through financings in June 2018, the Company was committed to incur \$15,757,216 in qualifying resource expenditures. The Company filed its renunciation forms in January 2019. As at January 31, 2019, the Company had incurred qualifying resource expenditures of \$7,920,285 and is committed to incur a balance of approximately \$7,800,000 before December 31, 2019.

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

20. SUBSEQUENT EVENT

Subsequent to the end of the quarter, the Company withdrew its reclamation security deposit totalling \$3,972,976 in exchange for a under written bond from an insurance company. To purchase this insurance, the Company gave a \$1,589,190 deposit to the insurance company and pays annual interest of 2.5% of the insured amount.